

Preparing For Your Unemployment Insurance (UI) Audit

This page describes the preparation, expectations, and results of an Unemployment Insurance (UI) Audit.

INTRODUCTION

This page addresses the most frequently asked questions from employers who have received an Audit Notice from the Indiana Department Of Workforce Development informing the employer that his business has been selected for an audit to test for compliance with the provisions of Indiana Code, Title 22, Article 4 relative to UI Laws. Please read this information carefully since it will assist you when preparing for the audit. It will let you know what to expect during and after the audit. Also, it will provide you with a contact person and telephone number if you have additional concerns.

WHY WAS MY BUSINESS SELECTED FOR AUDIT?

Each year, several thousand employers in Indiana are selected for a UI compliance audit. Most employers selected for an audit are randomly chosen from a list containing all employers covered under the Indiana Unemployment Insurance (UI) law. Others are selected to verify that wages are being reported correctly or individuals are classified correctly in accordance with Indiana UI law. If requested, the auditor can tell you specifically why you were selected at the time of audit.

WHAT IS THE PURPOSE OF THE UI AUDIT?

UI audits are performed to verify your reported payroll and any exclusions taken for UI purposes are correct and to ensure that all individuals have been properly reported.

The auditor can answer any questions you may have regarding the UI law as it is related to reporting individuals. If you are not currently covered under Indiana UI law, an audit may be conducted to determine if you should be a covered employer for UI purposes.

HOW LONG WILL THIS AUDIT TAKE?

The length of time to conduct an audit varies significantly from employer to employer. It depends primarily upon the size of the employer, the condition of the employer's records, and the number of problems encountered. Most field work performed on small-to-medium-sized employers (1-50 employees)

is completed in a day or less. If you are a larger employer, the field work of the audit may take considerably longer.

WHO SETS THE SCHEDULED AUDIT DATE/TIME AND WHERE IS THE AUDIT CONDUCTED?

The date that is mutually set by the employer and auditor for the audit should normally be no later than 45 days after the initial audit notification letter was sent to the employer. Audits are normally conducted at the business or the location the employer requests. Only in difficult cases or at the request of the employer are audits conducted in state facilities. The auditor will try to be as flexible as possible as to minimize any disruptions to your business operations. Audits are normally conducted during official State of Indiana business hours of 8:00 AM to 5:00 PM Monday through Friday (excluding holidays).

WHAT IF I CANNOT PROVIDE RECORDS ON THE SCHEDULED AUDIT DATE?

If you cannot provide the records on the scheduled date, you will need to contact us immediately by telephone at the number provided on your Appointment Confirmation letter. We will reschedule the audit if necessary. Please provide us with several alternate dates when you will be available and have the records so that rescheduling can be done promptly. **MUST I BE AVAILABLE AT THE TIME OF AUDIT?**

You may designate a responsible individual to provide the records to the auditor. This designation preferably should be in writing. If possible, that individual should also understand your records. However, if you must leave them with someone who is not familiar with your records, the auditor will contact you later to discuss the audit.

If you want the auditor to communicate directly with your accountant, bookkeeper, or other representative, please contact the auditor by telephone and provide the name, address, and telephone number of the party.

WHAT RECORDS WILL THE AUDITOR EXAMINE?

The records we would like to examine in all instances are listed below and in the appointment confirmation letter. The agency understands that not all employers maintain all these type of records, but those you do maintain should be available for review during a compliance audit.

General Ledger, Chart of Accounts, Master Vendor Lists, and Financial Statements.

All Cash Disbursements Records; including Check Registers, Check Stubs, Disbursement Journals.

Canceled Checks, Petty Cash Receipts, Daily Cash Reports, etc.

Payroll Records for each employee, showing dates and amounts paid.

Copies of W-2 Forms and W-3 Transmittal Form.

Copies of 1099 Forms and 1096 Transmittal Forms (if any).

Copies of SUTA – UC-1 and UC-5A Forms, and FUTA reports – 940 Form.

Copies of FICA reports – 941 Forms.

Federal Income Tax Return – 1040 Form Schedule C, 1220, 1120S, or 1065.

Any other records indicating payments for services performed.

Source documents showing basis for non-payroll payments to individuals, such as:

Invoices, Business Cards, Certificates of Insurance, Contracts, Receipts, etc.

Indiana UI Law (IC 22-4-19-6) and (646 IAC 3-10-1) require all employers to keep adequate records for reporting payroll. Whatever documents you use to keep your payroll records should be provided.

Please note also that large employers over 150 employees records may differ substantially and thus records required may be different.

WHY IS THE AUDITOR EXAMINING ALL RECORDS, FORMS, AND DOCUMENTS IN ADDITION TO PAYROLL RECORDS?

To verify that payroll was correctly reported for UI purposes, the auditor must look at a variety of documents and records. Payments to workers are made differently and through different accounts depending upon the employers accounting system. Some of these payments may be misclassified and should have been considered as payroll for UI purposes. Thus, the auditor must look at any records that may contain payroll information or payments for services.

WHAT PERIOD OF TIME WILL THE AUDIT COVER?

The appointment confirmation letter lists the time period(s) for which records must be provided. Usually the audit will cover a period one calendar year unless issues are discovered that also may be present in other years. If the audit is not expanded beyond the one-year period, it may not be necessary for the auditor to examine all the requested records for the additional year. However, please have all requested records available in case they are needed.

CAN I REFUSE TO PROVIDE RECORDS TO THE AUDITOR?

Under Indiana law you are required to provide records to the auditor for examination. If you refuse to do so, the records can be subpoenaed(IC 22-4-19-7). If a subpoena is necessary, you may be required to pay the costs associated with service of the subpoena.

WHEN WILL I KNOW THE AUDIT RESULTS?

The auditor will usually discuss the results of the audit or what is needed to complete the audit before leaving your place of business or the location at which the records are kept. If the audit is not complete at that time or you are not available, the auditor will contact you later to discuss the results. In addition, the auditor will send you a Notice of Audit Findings letter. If the employer requires additional detail, he may call the auditor and request that the detailed list of audit adjustments be sent. Based on those adjustments, an official billing notice will be sent detailing the tax due or credit available. This notice is usually sent within 30 days of the conclusion of the audit.

WHAT IF I HAVE OTHER QUESTIONS REGARDING THE AUDIT?

You can contact the auditor directly at the number shown on the Notice Of Audit Findings Letter, or contact our audit support unit at (317-233-6688).

WHAT IF I DON'T AGREE WITH THE AUDIT RESULTS?

The Notice of Audit Findings letter you receive after completion of the audit will provide you with contact information on whom and where to send a request for a review of the audit findings. If possible, we will resolve issues at that time. However, that may not always be possible. If the issues cannot be resolved the employer can file an official protest of the Notice and Demand issued by the department. The Notice and Demand must be protested in writing within 15 calendar days of the issuance date.

WHAT IF I CONSIDER SOME OR ALL MY WORKERS EITHER INDEPENDENT CONTRACTORS OR SUBCONTRACTORS?

Under Indiana UI law, an individual being paid by you for work performed is presumed to be your employee unless you meet the provisions set forth under IC 22-4-8-1. The auditor must verify that all three provisions are met for each individual the employer considered to be a subcontractor or independent contractor. A copy of IC 22-4-8-1 detailing what constitutes employment can be obtained from the auditor or by contacting the Field Audit Section (317-233-6688).

CAN THE AUDITOR ANSWER QUESTIONS REGARDING PROBLEMS I'M HAVING WITH THE INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT (DWD)?

Our auditors are well-versed in Indiana UI law as it relates to UI Tax Law. If you have a benefit related issue or other agency questions, you should call 1-317-232-6702 if you are calling from within Marion County Indiana or 1-888-967-5663 if you are calling from outside Marion County Indiana.